

Message Text

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PAGE 01 STATE 035307 TOSEC 020054
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TO USDEL SECRETARY PRIORITY

S E C R E T STATE 035307 TOSEC 020054

EXDIS, FOR NEA ASSISTANT SECRETARY ATHERTON

FOLLOWING REPEAT KUWAIT 908 ACTION SECSTATE INFO ABU DHABI
BONN, CAIRO, DOHA, JIDDA, LONDON, PARIS, TOKYO 15 FEB 77

QTE S E C R E T KUWAIT 0908

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EG, KU

SUBJECT: ASSISTANCE TO EGYPT: KUWAITI POSITION

REF: (A) KUWAIT 856, (B) CAIRO 659

1. DURING A PRIVATE MEETING AT MY RESIDENCE FEB. 14 FONMIN
SHAIKH SABAH AL-AHMAD AL-JABER EXPRESSED THE VIEW THAT
PRESIDENT SADAT'S POSITION HAD WEAKENED AS A RESULT OF
THE RECENT POPULAR RIOTS IN EGYPT. HE THOUGHT SADAT HAD
MADE A MISTAKE TO ENTER THE POLITICAL ARENA DIRECTLY,
E.G., HIS TELEVISED DISCUSSION WITH EGYPTIAN UNIVERSITY

SECRET

SECRET

PAGE 02 STATE 035307 TOSEC 020054

STUDENTS, WHEN HE SHOULD HAVE PLACED THIS RESPONSIBILITY
ON HIS GOVERNMENT.

2. SABAH AL-AHMAD ALSO REITERATED THE FAMILIAR KUWAITI
CONCERN THAT THERE WAS EXCESSIVE CORRUPTION IN EGYPT WITH
THE RESULT THAT ONLY A FEW VERY RICH EGYPTIANS
BENEFITTED FROM THE MASSIVE ASSISTANCE THAT HAD BEEN PRO-

VIDED IN THE PAST TO EGYPT WHILE THE VAST MULTITUDE OF THE POOR GAINED NOTHING FROM IT. HE CITED AS AN EXAMPLE THE RECENT WEDDING RECEPTION GIVEN BY PRESIDENT SADAT FOR THE MARRIAGE OF HIS DAUGHTER WHICH HE CONSIDERED AN EXCESSIVE DISPLAY OF LUXURY AND LACK OF REGARD FOR THE STATUS OF THE POOR. HE CLAIMED THAT THE CAKES AND OTHER PASTRIES FOR THE WEDDING RECEPTION WERE FLOWN IN FROM PARIS ON A FAMOUS CATERER'S PLANE. WHEN I EXPRESSED DISBELIEF ABOUT THIS STORY, HE SAID THAT HE HAD A PHOTOGRAPH OF THE PLANE TAKEN BY A MEMBER OF A KUWAIT AIRWAYS CREW WHOSE PLANE WAS IN CAIRO AT THAT TIME.

3. SHAIKH SABAH AL-AHMAD ADMITTED, HOWEVER, THAT THE MAINTENANCE OF STABILITY IN EGYPT WAS CRUCIAL TO ALL OF THE ARAB WORLD AND PARTICULARLY TO PROGRESS TOWARD SOLUTION OF THE PALESTINIAN PROBLEM. KUWAIT, TOGETHER WITH SAUDI ARABIA, THE UAE AND QATAR, WAS READY TO PROVIDE FINANCIAL ASSISTANCE TO EGYPT. HOWEVER HE WAS EXPLICIT IN INSISTING THAT THIS ASSISTANCE SHOULD NOT BE MADE AVAILABLE IN THE FORM OF "CASH MONEY" TO THE EGYPTIANS BECAUSE OF THE POSSIBILITY OF WASTE AND CORRUPTION.

4. SHAIKH SABAH AL-AHMAD REPORTED THAT THE QUESTION

OF HOW TO PROVIDE SUCH ASSISTANCE TO EGYPT HAD BEEN THE SUBJECT OF THE RECENT BRIEF VISIT TO KUWAIT OF SAUDI FONMIN PRINCE SAUD (REF A) AND SAID THAT HE WOULD BE GOING TO RIYADH FEB. 15 TO CONTINUE THESE DISCUSSIONS

SECRET

SECRET

PAGE 03 STATE 035307 TOSEC 020054

IN THE COMPANY OF THE OTHER GODE DONORS. HE INFORMED ME THAT FINANCE MINISTER ATEEQI HAD ALREADY DEPARTED FOR RIYADH THE DAY BEFORE TO BEGIN THESE DISCUSSIONS. FOLLOWING THEIR MEETING IN RIYADH HE AND ATEEQI WOULD GO ON TO CAIRO

(REF B) WHERE THE FONMIN PROMISED HE WOULD SPEAK OPENLY TO SADAT ABOUT JAWAIT'S DISPLEASURE OVER THE MANAGEMENT OF FINANCIAL ASSISTANCE PROVIDED TO EGYPT.

5. ACCORDING TO SABAH AL-AHMAD, THE IDEA CURRENTLY UNDER CONSIDERATION WITH RESPECT TO ASSISTANCE TO EGYPT IS TO MAKE THE CONTRIBUTIONS OF THE GODE MEMBERS FOR THIS PURPOSE AVAILABLE TO EGYPT ONLY THROUGH THE IMF. HE REITERATED KUWAIT'S REFUSAL TO PROVIDE FUNDS ON THE SAME BALANCE OF PAYMENTS BASIS AS BEFORE. THE PRESENT THINKING WAS TO ASK THE IMF TO MANAGE THESE FUNDS, POSSIBLY IN THE FRAMEWORK OF AN INTERNATIONAL CONSORTIUM (THE FONMIN WAS A LITTLE VAGUE ON THE PROCEDURES INVOLVED, BUT I SUSPECT THAT ATEEQI HAS THE ELEMENTS OF THIS PLAN MORE CLEARLY IN

MIND).

6. SABAH AL-AHMAD RECOGNIZED THAT SADAT AND EGYPT WERE BURDENED BY THE NEED TO RESTORE THE COUNTRY'S INFRASTRUCTURE SO SADLY NEGLECTED DURING THE NASSER YEARS. HE CITED, FOR EXAMPLE, THE ANCIENT TELEPHONE SYSTEM STILL OPERATING IN CAIRO AND SAID THAT KUWAIT WAS READY TO FINANCE ITS REPLACEMENT, PROVIDED, HOWEVER, THAT THIS PROJECT WOULD BE SUPERVISED BY OUTSIDE EXPERTS WHO DID NOT COME UNDER EGYPTIAN CONTROL. AGAIN, HIS CONCERN WAS THAT FUNDS FOR THIS PROJECT WOULD BE CHANNELLED INTO CURRUPT HANDS.

7. I QUESTIONED THE FONMIN ON KUWAIT'S POSITION REGARDING THE GODE GUARANTEE FOR AN EGYPTIAN LOAN OF \$250 MILLION TO BE ARRANGED THROUGH CHASE-MANHATTAN BANK, NOTING THAT APPARENTLY KUWAITI REFUSAL TO PROVIDE AN ADDITIONAL BILATERAL GUARANTEE WAS HOLDING USTHE LOAN. SABAH AL-AHMAD ADMITTED
SECRET

SECRET

PAGE 04 STATE 035307 TOSEC 020054

THAT THIS WAS THE CASE AND ASCRIBED IT TO KUWAIT'S ANNOYANCE WITH EGYPT FOR INSISTING THAT CHASE HANDLE THIS LOAN, WHICH HE MAINTAINED WAS GOING TO COT THEM TWO PERCENT INTEREST OVER THE BANK RATE (LONDON INTERBANK OFFERING RATE), WHEREAS, KUWAIT HAD BEEN PREPARED TO HANDLE THIS LOAN THROUGH ONE OF ITS FUNDS (HE DID NOT SPECIFY WHICH) AT A COST OF ONLY ONE PERCENT OVER THE BANK RATE. (FYI APPARENTLY THE BANK RATE IS NO LONGER AN ISSUE, BUT THE DOUBLE GUARANTEE--THROUGH GODE AND BILATERALLY--STILL IS. END FYI)

8. COMMENT: WHILE, DESPITE WHAT IS WRITTEN ABOVE, SHAIKH SABAH AL-AHMAD WAS NOT QUITE SO SCATHING IN HIS REMARKS ABOUT EGYPTIAN CORRUPTION AS FINMIN ATEEQI HAS BEEN, IT IS CLEAR THERE IS NO LOVE LOST HERE BETWEEN THE EGYPTIANS AND THE KUWAITIS. NEVERTHELESS, THE GOK DOES RECOGNIZE THE IMPORTANCE OF THE STABLE EXISTENCE OF SADAT'S REGIME IN EGYPT AND THE REQUIREMENT THAT FINANCIAL ASSISTANCE BE PROVIDED BY THE OIL-RICH ARAB COUNTRIES. IF THE SAUDIS AND THE KUWAITIS INSIST ON MAINTAINING THE CONDITIONS DESCRIBED ABOVE FOR AIDING EGYPT, THE RESENTMENT THERE OVER THEIR OIL-RICH ARAB BROTHERS LIVING IN LUXURY, WHILE EGYPTIANS SUFFER AS THE RESULT OF THE WARS THEY HAVE WAGED AGAINST ISRAEL ON BEHALF OF ALL ARABS WILL CONTINUE TO GROW. WE MUST BE CAREFUL NOT TO GET CAUGHT IN THE MIDDLE OF THIS "BROTHERLY" EXCHANGE.
MAESTRONE UNQTE HARTMAN

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